
HOUSE BILL No. 2084

DIGEST OF INTRODUCED BILL

Citations Affected: IC 6-8.1-1-1; IC 6-10.

Synopsis: Local government fiscal flexibility. Authorizes counties, cities, and towns to adopt local income taxes, local food and beverage taxes, and local sales taxes. Establishes the county tax council consisting of the county fiscal body and the fiscal bodies of each city and town located in the county. Authorizes the county tax council to adopt local taxes to be distributed to each of the units represented on the county tax council. Provides that the local taxes authorized are in addition to other taxes authorized under Indiana law. Provides that the authorized taxes may be used to reduce the unit's property tax levy, to provide targeted property tax relief, to pay debt service or lease rentals, to pay the costs of capital projects, to use as operating revenue, to pay pension liabilities, or any other purpose that the fiscal body determines to be in the best interests of the unit.

Effective: July 1, 2001.

Klinker, Scholer, Buell

January 17, 2001, read first time and referred to Committee on Ways and Means.

C
o
p
y



Introduced

First Regular Session 112th General Assembly (2001)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type~~.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 2000 General Assembly.

HOUSE BILL No. 2084

A BILL FOR AN ACT to amend the Indiana Code concerning taxation.

Be it enacted by the General Assembly of the State of Indiana:

1 SECTION 1. IC 6-8.1-1-1, AS AMENDED BY P.L.181-1999,
2 SECTION 3, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
3 JULY 1, 2001]: Sec. 1. "Listed taxes" or "taxes" includes only the
4 pari-mutuel taxes (IC 4-31-9-3 through IC 4-31-9-5); the riverboat
5 admissions tax (IC 4-33-12); the riverboat wagering tax (IC 4-33-13);
6 the gross income tax (IC 6-2.1); the state gross retail and use taxes
7 (IC 6-2.5); the adjusted gross income tax (IC 6-3); the supplemental net
8 income tax (IC 6-3-8); the county adjusted gross income tax
9 (IC 6-3.5-1.1); the county option income tax (IC 6-3.5-6); the county
10 economic development income tax (IC 6-3.5-7); the auto rental excise
11 tax (IC 6-6-9); the bank tax (IC 6-5-10); the savings and loan
12 association tax (IC 6-5-11); the production credit association tax
13 (IC 6-5-12); the financial institutions tax (IC 6-5.5); the gasoline tax
14 (IC 6-6-1.1); the alternative fuel permit fee (IC 6-6-2.1); the special
15 fuel tax (IC 6-6-2.5); the motor carrier fuel tax (IC 6-6-4.1); a motor
16 fuel tax collected under a reciprocal agreement under IC 6-8.1-3; the
17 motor vehicle excise tax (IC 6-6-5); the commercial vehicle excise tax

2001

IN 2084—LS 7365/DI 92+



C
o
p
y

(IC 6-6-5.5); the hazardous waste disposal tax (IC 6-6-6.6); the cigarette tax (IC 6-7-1); the beer excise tax (IC 7.1-4-2); the liquor excise tax (IC 7.1-4-3); the wine excise tax (IC 7.1-4-4); the hard cider excise tax (IC 7.1-4-4.5); the malt excise tax (IC 7.1-4-5); the petroleum severance tax (IC 6-8-1); the various innkeeper's taxes (IC 6-9); the various county food and beverage taxes (IC 6-9); the county admissions tax (IC 6-9-13 and IC 6-9-28); **a local gross retail tax (IC 6-10-4); a local food and beverage tax (IC 6-10-5); a local income tax (IC 6-10-6);** the oil inspection fee (IC 16-44-2); the emergency and hazardous chemical inventory form fee (IC 6-6-10); the penalties assessed for oversize vehicles (IC 9-20-3 and IC 9-30); the fees and penalties assessed for overweight vehicles (IC 9-20-4 and IC 9-30); the underground storage tank fee (IC 13-23); the solid waste management fee (IC 13-20-22); and any other tax or fee that the department is required to collect or administer.

SECTION 2. IC 6-10 IS ADDED TO THE INDIANA CODE AS A NEW ARTICLE TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]:

ARTICLE 10. COUNTY, CITY, AND TOWN FISCAL FLEXIBILITY

Chapter 1. General Policy

Sec. 1. This article grants counties, cities, and towns flexibility in the generation and diversification of revenues other than property taxes to address local operating and capital needs.

Sec. 2. (a) Granting fiscal flexibility to units serves a public purpose in the following ways:

- (1) Allowing units to raise more diverse revenues and to enact budgets that better reflect peculiar local conditions.**
- (2) Providing local elected officials with tools to reduce property taxes and provide property tax relief.**
- (3) Paying for infrastructure and capital projects to provide services to citizens.**
- (4) Encouraging tourism and economic development to create employment, increase assessed value, lower property taxes, and promote investment and educational opportunities for citizens.**
- (5) Providing adequate funding for police, fire, and other essential services.**
- (6) Providing additional sources of revenue for pensions and other employee benefits.**
- (7) Providing for the public health, welfare, and safety by assisting units to fulfill their essential public and**



C
o
p
y

governmental functions.

(b) A unit exercising powers under this article shall make a finding of public purpose for each use of its powers under this article.

Sec. 3. This article shall be construed liberally and is in addition and supplemental to the powers conferred by any other law. A unit may enact any revenue producing measure under this article that the unit determines to be in the best interests of the unit.

Sec. 4. Taxes that may be imposed under this article are in addition to any taxes that may be imposed by a unit under any other Indiana law.

Sec. 5. Revenues derived from taxes imposed under this article may be pledged in accordance with IC 5-1-14.

Sec. 6. This article applies only to counties, cities, and towns.

Chapter 2. Definitions

Sec. 1. The definitions in IC 36-1-2 and this chapter apply throughout this article.

Sec. 2. "Adjusted gross income" has the meaning set forth in IC 6-3-1-3.5 (a). However, in the case of a taxpayer who is not a resident of the unit that has imposed an income tax under IC 6-10-6, the term includes only adjusted gross income derived from the taxpayer's principal place of business or employment.

Sec. 3. "Bonds" has the meaning set forth in IC 5-1-11-1.

Sec. 4. "Capital" means any project or program that is capital in nature, involves the formation of capital for funding, or may be capitalized under generally accepted accounting principles. The term includes acquisition of real or personal property, creation or improvement of infrastructure, and acquisition, improvement, construction, or installation of buildings, structures, and equipment.

Sec. 5. "Department" means the department of state revenue.

Sec. 6. "Obligations" has the meaning set forth in IC 5-1-3-1(b).

Sec. 7. "Operating" refers to an expense that is not capital in nature.

Sec. 8. "Taxpayer" means the following:

- (1) For a county, an individual who, for a year:
 - (A) resides in the county on January 1 of a calendar year;
 - or
 - (B) maintains a principal place of business or employment in the county on January 1 of a calendar year.
- (2) For a city or town, an individual who, for a year:
 - (A) resides in the city or town on January 1 of a calendar

C
o
p
y



year; or

(B) maintains a principal place of business or employment in the city or town on January 1 of a calendar year.

Sec. 9. "Unit" means a county, city, or town. The term does not include a township.

Chapter 3. County Tax Council Procedures

Sec. 1. (a) A county tax council is established for each county in Indiana. The membership of each county's county tax council consists of the fiscal body of the county and the fiscal body of each city or town that lies either partially or entirely within that county.

(b) Each county tax council has a total of one hundred (100) votes. Each member of the county tax council is allocated a percentage of the total one hundred (100) votes that may be cast. The percentage that a city or town is allocated for a year equals the same percentage that the population of the city or town bears to the population of the county. The percentage that the county is allocated for a year equals the same percentage that the population of all areas in the county not located in a city or town bears to the population of the county. On or before January 1 of each year, the county auditor shall certify to each member of the county tax council the number of votes, rounded to the nearest one-hundredth (0.01), it has for that year.

(c) In the case of a city or town that lies within more than one (1) county, the county auditor of each county shall base the allocations required by subsection (b) on the population of that part of the city or town that lies within the county for which the allocations are being made.

Sec. 2. (a) Using the procedures described in this chapter, a county tax council may adopt ordinances to:

(1) impose, reduce, or rescind a local gross retail tax described in IC 6-10-4 in its county;

(2) impose, reduce, or rescind a food and beverage tax described in IC 6-10-5 in its county; and

(3) impose, reduce, or rescind a local income tax under IC 6-10-6 in its county.

(b) An ordinance adopted by a county tax council under this chapter takes effect on January 1 of the year following the year in which the ordinance is adopted.

(c) If the county tax council adopts an ordinance in accordance with this chapter, the county auditor shall immediately send a certified copy of the ordinance to the department.

Sec. 3. Any member of a county tax council may present an

C
o
p
y



ordinance for passage. To do so, the member must pass a resolution to propose the ordinance to the county tax council and distribute a copy of the proposed ordinance to the auditor of the county. The auditor of the county shall treat any proposed ordinance presented to the auditor under this section as a casting of all that member's votes in favor of that proposed ordinance. Subject to the limitations of section 5 of this chapter, the auditor of the county shall deliver copies of a proposed ordinance the auditor receives to all members of the county tax council within ten (10) days after receipt. Once a member receives a proposed ordinance from the auditor of the county, the member shall vote on it within thirty (30) days after receipt.

Sec. 4. (a) A member of the county tax council may exercise its votes by passing a resolution and transmitting the resolution to the auditor of the county. The form of a resolution is as follows:

"The _____ (name of unit's fiscal body) casts its _____ votes _____ (for or against) the proposed ordinance of the County Tax Council, which reads as follows: [insert text of ordinance]".

(b) A resolution passed by a member of the county tax council exercises all votes of the member on the proposed ordinance, and those votes may not be changed during the year.

Sec. 5. (a) After January 1 but before August 1, a county tax council may pass:

- (1) one (1) ordinance concerning a local gross retail tax;
- (2) one (1) ordinance concerning a food and beverage tax; and
- (3) one (1) ordinance concerning a local income tax;

under this article.

(b) Once an ordinance described in subsection (a) has been passed, the auditor of the county shall:

- (1) cease distributing proposed ordinances of the type that has been passed for the rest of the year; and
- (2) withdraw any other of proposed ordinances of the type that has been passed.

Any votes subsequently received by the auditor of the county on proposed ordinances of the type that has previously been passed during that same year are void.

(c) The county tax council may not vote on, nor may the auditor of the county distribute to the members of the county tax council, any proposed ordinance during a year if previously during that same year the auditor of the county received and distributed to the members of the county tax council a proposed ordinance that, if

C
o
p
y



passed, would have had substantially the same effect.

(d) The county tax council may not vote on, nor may the auditor of the county distribute to the members of the county tax council, any ordinance during a year to impose a gross retail tax if previously during that same year the fiscal body of a unit in the county has adopted an ordinance to impose a gross retail tax within the fiscal body's unit.

(e) The county tax council may not vote on, nor may the auditor of the county distribute to the members of the county tax council, any ordinance during a year to impose a food and beverage tax if previously during that same year the fiscal body of a unit in the county has adopted an ordinance to impose a food and beverage tax within the fiscal body's unit.

(f) The county tax council may not vote on, nor may the auditor of the county distribute to the members of the county tax council, any ordinance during a year to impose an income tax if previously during that same year the fiscal body of a unit in the county has adopted an ordinance to impose an income tax within the fiscal body's unit.

Sec. 6. Before a member of the county tax council may propose an ordinance or vote on a proposed ordinance, the member must hold a public hearing on the proposed ordinance, with notice of the time, date, and place of the public hearing given in accordance with IC 5-3-1.

Sec. 7. An ordinance adopted under this chapter must specify the rate at which the:

- (1) local gross retail tax;
- (2) local food and beverage tax; or
- (3) local income tax;

is imposed.

Sec. 8. (a) An ordinance adopted under this chapter must specify how the revenues that are collected from the tax imposed under the ordinance are to be distributed among the units represented on the county tax council.

(b) An ordinance shall provide that revenues may be distributed on the basis of:

- (1) maximum levies;
- (2) population; or
- (3) assessed values;

as described in section 9 of this chapter.

Sec. 9. (a) If an ordinance adopted under this chapter provides for the distribution of revenues on the basis of maximum levies, the

C
o
p
y



amount of revenues that the county and each city or town in the county is entitled to receive during a month equals the product of:

(1) the total amount of the revenues to be distributed for that month; multiplied by

(2) a fraction. The numerator of the fraction equals the maximum permissible property tax levy (as determined under IC 6-1.1-18-3) of the county, city, or town during the calendar year in which the month falls. The denominator of the fraction equals the sum of the maximum permissible property tax levies of the county and all cities and towns of the county during the calendar year in which the month falls.

(b) If an ordinance adopted under this chapter provides for the distribution of revenues on the basis of population, the amount of revenues that the county and each city or town in the county is entitled to receive during a month equals the product of:

(1) the total amount of the revenues to be distributed for that month; multiplied by

(2) a fraction. For a city or town, the numerator of the fraction equals the population of the city or the town. For a county, the numerator of the fraction equals the population of the part of the county that is not located in a city or a town. The denominator of the fraction equals the population of the county.

(c) If an ordinance adopted under this chapter provides for the distribution of revenues on the basis of assessed value, the amount of revenues that the county and each city or town in a county is entitled to receive during a month equals the product of:

(1) the total amount of the revenues to be distributed for that month; multiplied by

(2) a fraction. For a city or town, the numerator of the fraction equals the assessed value of the city or the town. For a county, the numerator of the fraction equals the assessed value of the part of the county that is not located in a city or town. The denominator of the fraction equals the assessed value of the county.

Chapter 4. Local Gross Retail Taxes

Sec. 1. (a) After January 1 but before August 1:

(1) the fiscal body of a unit; or

(2) the county tax council;

may adopt an ordinance to impose a local gross retail tax under this chapter.

(b) The county tax council must comply with the procedures set

C
o
p
y



1 forth in IC 6-10-3 to adopt an ordinance to impose a local gross
2 retail tax under this chapter.

3 (c) Before a fiscal body may adopt an ordinance imposing a
4 local gross retail tax, the fiscal body must hold a public hearing on
5 the proposed ordinance, with notice of the time, date, and place of
6 the public hearing given in accordance with IC 5-3-1.

7 (d) If a fiscal body adopts an ordinance under this chapter, it
8 shall immediately send a certified copy of the ordinance to the
9 department.

10 (e) If a fiscal body adopts an ordinance under this chapter, the
11 ordinance takes effect January 1 of the year following the year in
12 which the ordinance is adopted.

13 (f) This subsection does not apply to a county governed under
14 IC 36-2-3.5. If the fiscal body of a county adopts an ordinance to
15 impose a gross retail tax under this chapter, the county executive
16 must also adopt a substantially similar ordinance to impose the tax.

17 (g) This subsection applies only to a county governed under
18 IC 36-2-3.5. If the fiscal body of a county adopts an ordinance to
19 impose a gross retail tax under this chapter, the county executive
20 must approve the ordinance in the manner prescribed by
21 IC 36-2-4-8 to impose the tax.

22 (h) The fiscal body may not adopt an ordinance to impose a
23 local gross retail tax if, previously during that same year, the
24 county tax council has adopted an ordinance imposing a local gross
25 retail tax in the county.

26 Sec. 2. (a) Except as provided in subsection (b), a local gross
27 retail tax imposed under this chapter applies to any transaction on
28 which the state gross retail tax is imposed under IC 6-2.5 and that
29 occurs in the unit imposing the tax.

30 (b) The local gross retail tax imposed under this chapter is
31 imposed on the gross retail income received by the retail merchant
32 from the transaction as follows:

33 (1) If the local gross retail tax is imposed by a fiscal body, the
34 rate of the tax equals one-half of one percent (0.5%).

35 (2) If the local gross retail tax is imposed by the county tax
36 council, the county tax council shall specify the rate of the tax
37 in the ordinance imposing the tax.

38 Sec. 3. (a) After January 1 but before August 1:

39 (1) a fiscal body of a unit; or

40 (2) a county tax council;

41 that imposes the local gross retail under this chapter tax may adopt
42 an ordinance to decrease the local gross retail tax rate.

C
o
p
y



(b) The county tax council must comply with the procedures set forth in IC 6-10-3 to adopt an ordinance to decrease a local gross retail tax under this chapter.

(c) If a unit has outstanding bonds, leases, obligations, or other evidences of indebtedness, that are payable from a local gross retail tax imposed under this chapter, the tax may not be decreased below a rate that would produce one and twenty-five hundredths (1.25) times the total of the highest annual payment requirements due on those bonds, leases, obligations, or other evidences of indebtedness, to their final maturity.

(d) For purposes of subsection (c), the determination of a tax rate sufficient to produce one and twenty-five hundredths (1.25) times the total of the highest annual payment requirements shall be based on an average of the immediately preceding three (3) years collections for the local gross retail tax, if the tax has been imposed for the last preceding three (3) years. If the local gross retail tax has not been imposed for the last preceding three (3) years, the tax may not be reduced below a rate that would produce one and twenty-five hundredths (1.25) times the total of the highest annual payment requirements due on those bonds, leases, obligations, or other evidences of indebtedness, based upon a study by a qualified public accountant or financial adviser.

Sec. 4. (a) If no bonds, leases, obligations, or other evidences of indebtedness of a unit are outstanding that are payable from a local gross retail tax imposed under this chapter:

(1) the fiscal body; or

(2) the county tax council;

that imposed the tax may adopt an ordinance to repeal a local gross retail tax under this chapter. The ordinance must be adopted after January 1 but before August 1 of a year.

(b) The county tax council must comply with the procedures set forth in IC 6-10-3 to adopt an ordinance to repeal a local gross retail tax under this chapter.

Chapter 5. Food and Beverage Tax

Sec. 1. (a) After January 1 but before August 1:

(1) the fiscal body of a unit; or

(2) a county tax council;

may adopt an ordinance to impose a food and beverage tax under this chapter.

(b) A county tax council must comply with the procedures set forth in IC 6-10-3 to adopt an ordinance to impose a food and beverage tax under this chapter.

C
o
p
y



1 (c) Before a fiscal body may adopt an ordinance imposing a food
2 and beverage tax, the fiscal body must hold a public hearing on the
3 proposed ordinance, with notice of the time, date, and place of the
4 public hearing given in accordance with IC 5-3-1.

5 (d) If a fiscal body adopts an ordinance under this chapter, the
6 fiscal body shall immediately send a certified copy of the ordinance
7 to the department.

8 (e) If a fiscal body adopts an ordinance under this chapter, the
9 ordinance takes effect January 1 of the year following the year in
10 which the ordinance is adopted.

11 (f) This subsection does not apply to a county governed under
12 IC 36-2-3.5. If the fiscal body of a county adopts an ordinance to
13 impose a food and beverage tax under this chapter, the county
14 executive must also adopt a substantially similar ordinance to
15 impose the tax.

16 (g) This subsection applies only to a county governed under
17 IC 36-2-3.5. If the fiscal body of a county adopts an ordinance to
18 impose a gross retail tax under this chapter, the county executive
19 must approve the ordinance in the manner prescribed by
20 IC 36-2-4-8 to impose the tax.

21 (h) A fiscal body may not adopt an ordinance to impose a food
22 and beverage tax if, previously during that same year, the county
23 tax council has adopted an ordinance imposing a food and
24 beverage tax in the county.

25 Sec. 2. (a) After January 1 but before August 1:

26 (1) the fiscal body of a unit; or

27 (2) a county tax council;

28 that imposed the local food and beverage tax may adopt an
29 ordinance to decrease the food and beverage tax rate.

30 (b) The county tax council must comply with the procedures set
31 forth in IC 6-10-3 to adopt an ordinance to decrease a food and
32 beverage tax under this chapter.

33 (c) If a unit has outstanding bonds, leases, obligations, or other
34 evidences of indebtedness, that are payable from a food and
35 beverage tax imposed under this chapter, the tax may not be
36 decreased below a rate that would produce one and twenty-five
37 hundredths (1.25) times the total of the highest annual payment
38 requirements due on those bonds, leases, obligations, or other
39 evidences of indebtedness, to their final maturity.

40 (d) For purposes of subsection (c), the determination of a tax
41 rate sufficient to produce one and twenty-five hundredths (1.25)
42 times the total of the highest annual payment requirements shall be

C
o
p
y



based on an average of the immediately preceding three (3) years collections for the food and beverage tax, if the food and beverage tax has been imposed for the last preceding three (3) years. If the food and beverage tax has not been imposed for the last preceding three (3) years, the tax may not be reduced below a rate that would produce one and twenty-five hundredths (1.25) times the total of the highest annual payment requirements due on those bonds, leases, obligations, or other evidences of indebtedness, based upon a study by a qualified public accountant or financial advisor.

Sec. 3. (a) If no bonds, leases, obligations, or other evidences of indebtedness of a unit are outstanding that are payable from a food and beverage tax imposed under this chapter:

(1) the fiscal body; or

(2) the county tax council;

that imposed the local food and beverage tax may adopt an ordinance to repeal the food and beverage tax under this chapter. The ordinance must be adopted after January 1 but before August 1 of a year.

(b) The county tax council must comply with the procedures set forth in IC 6-10-3 to adopt an ordinance to repeal a food and beverage tax under this chapter.

Sec. 4. (a) Except as provided in subsection (c), a food and beverage tax imposed under this chapter applies to any transaction in which food or a beverage is furnished, prepared, or served:

(1) for consumption at a location, or on equipment, provided by a retail merchant;

(2) in the unit in which the tax is imposed; and

(3) by the retail merchant for consideration.

(b) Transactions subject to a food and beverage tax include transactions in which food or a beverage is:

(1) served by a retail merchant off the merchant's premises;

(2) sold by a retail merchant who ordinarily bags, wraps, or packages the food or beverage for immediate consumption on or near the retail merchant's premises, including food or beverages sold on a "take out" or "to go" basis; or

(3) sold by a street vendor.

(c) A food and beverage tax imposed under this chapter does not apply to furnishing, preparing, or serving of any food or beverage in a transaction that is exempt, or to the extent exempt, from the state gross retail tax imposed under IC 6-2.5.

(d) The food and beverage tax imposed under this chapter is imposed on the gross retail income received by the retail merchant



from the transaction as follows:

(1) If the food and beverage tax was imposed by a fiscal body, the rate of the tax equals one-half of one percent (0.5%).

(2) If the food and beverage tax was imposed by the county tax council, the county tax council shall specify the rate of the tax in the ordinance imposing the tax.

(e) For purposes of this chapter, the gross retail income received by the retail merchant from such a transaction does not include:

(1) the amount of tax imposed on the transaction under IC 6-2.5; or

(2) the amount of tax imposed under IC 6-10-4, if any.

Chapter 6. Local Income Taxes

Sec. 1. (a) After January 1 but before August 1:

(1) the fiscal body of a unit; or

(2) a county tax council;

may adopt an ordinance to impose a local income tax on the adjusted gross income of taxpayers.

(b) A county tax council must comply with the procedures set forth in IC 6-10-3 to adopt an ordinance to impose a local income tax under this chapter.

(c) Before a fiscal body may adopt an ordinance imposing a local income tax, the fiscal body must hold a public hearing on the proposed ordinance, with notice of the time, date, and place of the public hearing given in accordance with IC 5-3-1.

(d) If a fiscal body adopts an ordinance under this chapter, it shall immediately send a certified copy of the ordinance to the department.

(e) If a fiscal body adopts an ordinance under this chapter, the ordinance takes effect January 1 of the year following the year in which the ordinance is adopted.

(f) This subsection does not apply to a county governed under IC 36-2-3.5. If the fiscal body of a county adopts an ordinance to impose a local income tax under this chapter, the county executive must also adopt a substantially similar ordinance to impose the tax.

(g) This subsection applies only to a county governed under IC 36-2-3.5. If the fiscal body of a county adopts an ordinance to impose a gross retail tax under this chapter, the county executive must approve the ordinance in the manner prescribed by IC 36-2-4-8 to impose the tax.

(h) A fiscal body may not adopt an ordinance to impose a local income tax if, previously during that same year, the county tax council has adopted an ordinance imposing a local income tax in

C
o
p
y



the county.

(i) A local income tax imposed under this chapter is imposed on the adjusted gross income of taxpayers as follows:

(1) If the local income tax is imposed by a fiscal body, the rate of the tax equals one-half of one percent (0.5%).

(2) If the local income tax is imposed by the county tax council, the county tax council shall specify the rate of the tax in the ordinance imposing the tax rate.

Sec. 2. (a) After January 1 but before August 1:

(1) the fiscal body of a unit; or

(2) a county tax council;

that imposed the local income tax under this chapter may adopt an ordinance to decrease the local income tax rate.

(b) The county tax council must comply with the procedures set forth in IC 6-10-3 to adopt an ordinance to decrease a local income tax under this chapter.

(c) If a unit has outstanding bonds, leases, obligations, or other evidences of indebtedness, that are payable from an income tax imposed under this chapter, the local income tax may not be decreased below a rate that would produce one and twenty-five hundredths (1.25) times the total of the highest annual payment requirements due on those bonds, leases, obligations, or other evidences of indebtedness, to their final maturity.

(d) For purposes of subsection (c), the determination of a tax rate sufficient to produce one and twenty-five hundredths (1.25) times the total of the highest annual payment requirements shall be based on an average of the immediately preceding three (3) years tax collections for the tax, if the tax has been imposed for the last preceding three (3) years. If the local income tax has not been imposed for the last preceding three (3) years, the income tax may not be reduced below a rate that would produce one and twenty-five hundredths (1.25) times the total of the highest annual payment requirements due on those bonds, leases, obligations, or other evidences of indebtedness, based upon a study by a qualified public accountant or financial advisor.

Sec. 3. (a) If no bonds, leases, obligations, or other evidences of indebtedness of the unit are outstanding that are payable from an income tax imposed under this chapter:

(1) the fiscal body; or

(2) the county tax council;

that imposed the tax may adopt an ordinance to repeal a local income tax under this chapter. The ordinance to repeal a local

C
o
p
y



1 income tax must be adopted after January 1 but before August 1
2 of a year.

3 (b) The county tax council must comply with the procedures set
4 forth in IC 6-10-3 to adopt an ordinance to repeal a local income
5 tax under this chapter.

6 Sec. 4. (a) If for a taxable year a taxpayer is (or a taxpayer and
7 a taxpayer's spouse who file a joint return are) allowed a credit for
8 the elderly or the disabled under Section 22 of the Internal
9 Revenue Code, the taxpayer is (or a taxpayer and a taxpayer's
10 spouse who file a joint return are) entitled to a credit against the
11 taxpayer's (or the taxpayer's and the taxpayer's spouse's) income
12 tax liability under this chapter for that same taxable year. The
13 amount of the credit equals the lesser of:

14 (1) the product of:

15 (A) the taxpayer's (or the taxpayer's and the taxpayer's
16 spouse's) credit for the elderly or the totally disabled for
17 that same taxable year; multiplied by

18 (B) a fraction for which the numerator of the fraction is
19 the income tax rate and the denominator is fifteen
20 hundredths (0.15); or

21 (2) the amount of local income tax imposed on the local
22 taxpayer (or the local taxpayer and the local taxpayer's
23 spouse).

24 (b) If a local taxpayer and the local taxpayer's spouse file a joint
25 return and are subject to different income tax rates under this
26 chapter for the same taxable year, they shall compute the credit
27 under this section using the formula provided by subsection (a),
28 except that they shall use the average of the two (2) income tax
29 rates as the numerator referred to in subsection (a)(1)(B).

30 Chapter 7. Collection Procedures for Local Gross Retail Taxes

31 Sec. 1. A local gross retail tax imposed under IC 6-10-4 shall be
32 imposed, paid, and collected in the same manner that the state
33 gross retail tax is imposed, paid, and collected under IC 6-2.5.
34 However, the return that is filed for the payment of the tax may be
35 made on a separate return or may be combined with the return
36 filed for the payment of the state gross retail tax as prescribed by
37 the department.

38 Sec. 2. A local gross retail tax imposed under IC 6-10-4 is a
39 listed tax for purposes of IC 6-8.1.

40 Sec. 3. (a) If the fiscal body of a unit has imposed a local gross
41 retail tax under IC 6-10-4, the department shall notify the fiscal
42 officer of the unit of the amount of tax paid in the unit.



C
o
p
y

(b) If a county tax council has imposed a local gross retail tax under IC 6-10-4, the department shall report the total amount of tax paid in the county to the fiscal officer of each of the units represented on the county tax council.

(c) The amounts received from a local gross retail tax imposed under IC 6-10-4 shall be paid monthly by the treasurer of state on warrants issued by the auditor of state:

(1) to the fiscal officer of the unit that imposed the tax, if the tax was imposed by the fiscal body of a unit; or

(2) to the fiscal officer of each of the units whose fiscal bodies are members of the county tax council, if the gross retail tax has been imposed by a county tax council, in accordance with the ordinance of the county tax council.

Sec. 4. The unit's fiscal officer shall establish a local gross retail tax revenue fund into which all amounts received monthly from the treasurer of state under this chapter shall be deposited.

Sec. 5. (a) The department is entitled to retain an administrative fee for the collection and distribution of revenues from a local gross retail tax imposed under IC 6-10-4. The administrative fee is one percent (1%) of the total revenues derived by all units from the imposition of local gross retail taxes under IC 6-10-4.

(b) The administrative fee retained by the department under this section may only be used to pay the administrative costs of the department incurred in the collection and distribution of local gross retail taxes imposed under IC 6-10-4.

Chapter 8. Collection Procedures for Food and Beverage Taxes

Sec. 1. A food and beverage tax imposed under IC 6-10-5 shall be imposed, paid, and collected in the same manner that the state gross retail tax is imposed, paid, and collected under IC 6-2.5. However, the return that is filed for the payment of the tax may be made on a separate return or may be combined with the return filed for the payment of the state gross retail tax as prescribed by the department.

Sec. 2. An food and beverage tax imposed under IC 6-10-5 is a listed tax for the purposes of IC 6-8.1.

Sec. 3. (a) The department shall notify the fiscal officer of a unit that imposes a food and beverage tax under IC 6-10-5 of the amount of tax paid in the unit.

(b) If a county tax council has imposed a food and beverage tax under IC 6-10-5, the department shall report the total amount of tax paid in the county to the fiscal officer of each of the units represented on the county tax council.

C
o
p
y



(c) The amounts received from a food and beverage tax imposed under IC 6-10-5 shall be paid monthly by the treasurer of state on warrants issued by the auditor of state:

(1) to the fiscal officer of the unit that imposed the tax, if the tax was imposed by the fiscal body of a unit; or

(2) to the fiscal officer of each of the units represented on the county tax council, if the food and beverage tax has been imposed by a county tax council, in accordance with the ordinance of the county tax council.

Sec. 4. A unit's fiscal officer shall establish a local food and beverage tax revenue fund into which all amounts received monthly from the treasurer of state under this chapter shall be deposited.

Sec. 5. (a) The department is entitled to retain an administrative fee for the collection and distribution of revenues from a food and beverage tax imposed under IC 6-10-5. The administrative fee is one percent (1%) of the total revenues derived by all units from the imposition of local gross retail taxes under IC 6-10-5.

(b) The administrative fee retained by the department under this section may only be used to pay the administrative costs of the department incurred in the collection and distribution of food and beverage taxes imposed under IC 6-10-5.

Chapter 9. Collection Procedures for Local Income Taxes

Sec. 1. (a) A special account within the state general fund shall be established for each unit that is a recipient of revenues from a local income tax imposed under IC 6-10-6.

(b) Revenue derived from the imposition of a local income tax shall be deposited:

(1) in that unit's account in the state general fund, if the local income tax is imposed by the unit's fiscal body; or

(2) if the local income tax is imposed by a county tax council, in the accounts of each unit within the county, in accordance with the ordinance of the county tax council.

(c) Income earned on money in an account established under this section becomes part of that account.

(d) Money remaining in an account at the end of a fiscal year does not revert to the state general fund but remains in that account.

Sec. 2. (a) The revenue from a local income tax that is deposited in a unit's account in the state general fund is to be distributed to the unit during the ensuing calendar year. The amount to be distributed equals:

C
o
p
y



(1) the income tax revenue that the department estimates will be received on behalf of that unit during the twelve (12) month period beginning July 1 of the immediately preceding calendar year and ending June 30 of the ensuing calendar year, if the local income tax was imposed by the unit's fiscal body; or

(2) if the local income tax was imposed by a county tax council, the amount of income tax revenue that the department estimates is to be allocated to the unit as prescribed in the ordinance during the twelve (12) month period beginning July 1 of the immediately preceding calendar year and ending June 30 of the ensuing calendar year.

(b) Before June 16 of each year, the department shall estimate and certify to the fiscal officer of each a unit that is a recipient of revenues from a local income tax imposed under IC 6-10-6:

(1) the amount of revenue that will be collected from that unit, if the local income tax was imposed by the unit's fiscal body; or

(2) if the local income tax was imposed by a county tax council, the amount of revenue allocated to the unit in accordance with the ordinance of the county tax council; during the twelve (12) month period beginning July 1 of that year and ending June 30 of the immediately succeeding year. The amount estimated may be different from the amount certified. The amount certified is the unit's "certified distribution" for the ensuing calendar year.

(c) The department may certify to a unit an amount that is greater than the estimated twelve (12) month revenue collection if the department determines that there will be a greater amount of revenue available for distribution from the unit's account established under this chapter.

(d) The department may certify to a unit an amount that is less than the estimated twelve (12) month revenue collection if the department determines that a portion of the collection needs to be distributed during the current calendar year so that the unit will receive its full certified distribution for the current calendar year.

(e) One-twelfth (1/12) of each unit's certified distribution for a calendar year shall be distributed from its account to the unit's fiscal officer on the first business day of each month of that calendar year.

(f) All distributions from a unit's account must be on warrants

C
o
p
y



1 issued by the auditor of state to the treasurer of the state ordering
2 the appropriate payment.

3 Sec. 3. (a) Except as provided in this chapter, all provisions of
4 the adjusted gross income tax law (IC 6-3) concerning:

- 5 (1) definitions;
- 6 (2) declarations of estimated taxes;
- 7 (3) filing of returns;
- 8 (4) remittances;
- 9 (5) incorporation of the provisions of the Internal Revenue
10 Code;
- 11 (6) penalties and interest;
- 12 (7) exclusion of military pay credits for withholding; and
- 13 (8) exemptions and deductions;

14 apply to the imposition, collection, and administration of a local
15 income tax imposed under IC 6-10-6.

16 (b) IC 6-3-1-3.5 (a)(5), IC 6-3-3-3, IC 6-3-3-5, and IC 6-3-5-1 do
17 not apply to the local income tax imposed under IC 6-10-6.

18 (c) Notwithstanding subsections (a) and (b), each employer shall
19 report to the department the amount of withholdings attributable
20 to each unit. This report shall be submitted annually along with the
21 employer's annual withholding report.

22 Sec. 4. Before February 1 each year, the department shall
23 submit a report to the fiscal officer of each unit that is a recipient
24 of revenues from the local income tax indicating the amount
25 credited to the unit's account in the state general fund as of the end
26 of the immediately preceding calendar year.

27 Sec. 5. An income tax imposed under IC 6-10-6 is a listed tax
28 and an income tax for the purposes of IC 6-8.1.

29 Sec. 6. The fiscal officer of a unit that is a recipient of a local
30 income tax under IC 6-10-6 shall establish a local income tax
31 revenue fund and deposit all income tax revenue received monthly
32 from the treasurer of state in the fund.

33 Sec. 7. (a) The department is entitled to retain an administrative
34 fee for the distribution of revenues from an income tax imposed
35 under IC 6-10-6. The administrative fee is one percent (1%) of the
36 total revenues derived by all units from the imposition of income
37 taxes under IC 6-10-6.

38 (b) The administrative fee retained by the department under
39 this section may only be used to pay the administrative costs of the
40 department incurred in the distribution of income taxes imposed
41 under IC 6-10-6.

42 Chapter 10. Use of Revenue



C
o
p
y

1 **Sec. 1. Revenue derived from the imposition of a tax under this**
 2 **article may be treated by each unit as additional revenue for the**
 3 **purpose of fixing its budget for the budget year during which the**
 4 **revenues are to be distributed to the unit.**

5 **Sec. 2. A unit may use revenues from the imposition of a tax**
 6 **under this article for any one (1) or more of the following**
 7 **purposes:**

8 **(1) Reducing the unit's property tax levy for the ensuing**
 9 **budget year.**

10 **(2) Providing property tax relief to taxpayers or classes of**
 11 **taxpayers, to the extent permitted by the Constitution of the**
 12 **State of Indiana.**

13 **(3) Paying debt service or lease rentals on:**

14 **(A) bonds;**

15 **(B) leases;**

16 **(C) obligations; or**

17 **(D) any other evidence of indebtedness of the unit.**

18 **(4) Paying the costs of any capital project.**

19 **(5) As operating revenue.**

20 **(6) Paying pension liabilities of the unit.**

21 **(7) For any other purpose that the fiscal body determines is**
 22 **necessary, wise, and will be in the best interests of the**
 23 **residents of the unit.**

24 **Sec. 3. The state board of tax commissioners may not reduce a**
 25 **unit's property tax levy by the amount of revenue received from a**
 26 **tax imposed under this article.**

27 **Chapter 11. Covenants**

28 **Sec. 1. The general assembly covenants with the respective units**
 29 **and the purchasers and owners of bonds, leases, obligations, or any**
 30 **other evidences of indebtedness of a unit payable from a tax**
 31 **imposed under this article that this article will not be repealed or**
 32 **amended in any manner that will adversely affect the imposition or**
 33 **collection of a tax imposed under this article so long as the**
 34 **principal, interest, or lease rentals due under those bonds, leases,**
 35 **obligations, or other evidences of indebtedness of a unit that are**
 36 **payable from a tax imposed under this article remain unpaid.**

C
o
p
y

